

IRS CONDUCTS SURVEY OF TRANSFER PRICING DOCUMENTATION

WASHINGTON — The Internal Revenue Service announced today it has started conducting a random survey of 1,400 business taxpayers with assets of \$50 million or more. The survey on transfer pricing documentation is part of a study requested by the Senate Committee on Appropriations.

The survey represents the first phase of an effort to find out to what extent taxpayers are voluntarily documenting their transfer pricing methodologies under Internal Revenue Code (IRC) 482 in response to incentives created under IRC 6662(e). The purpose of the transfer pricing rules under IRC 482 is to ensure that transactions between related parties yield the same taxable income as transactions between unrelated parties in the same circumstances.

In response to the request, the IRS Large and Mid-Size Business (LMSB) Division initiated a two-phase study, with Phase I consisting of the survey. Phase II will determine the effectiveness and utility of this documentation by studying a sample of 25 taxpayers in detail.

"This survey is a unique opportunity for both taxpayers and the IRS to work together to evaluate and identify any areas for improvement to the recordkeeping provisions that relate to transfer pricing," said Larry Langdon, Commissioner, LMSB. "I'm asking the corporate community for their assistance and cooperation in responding to the survey currently being sent to selected taxpayers."

Schulman, Ronca, & Bucuvalas, Inc. (SRBI) helped design and will independently conduct the survey to ensure complete impartiality, confidentiality and anonymity of the taxpayers involved. SRBI will safeguard the identity and answers of respondents. According to Langdon, no taxpayer-specific information will be revealed to the IRS.

The survey objectives and questionnaire were developed with input from the Tax Executive Institute, the American Bar Association, the American Institute of Certified Public Accountants, and the Organization for International Investment. The target for completion of the study is December 2001.

The Senate Appropriations Committee request is attached to Report 106-87 of the Treasury and General Government Appropriation Bill 2000 (S.1298, 106th Congress, 1999).

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